



Statement of L. Robert Shelton
Executive Director, National Highway Traffic Safety Administration
before the
Committee on Energy and Natural Resources
United States Senate
July 17, 2001

Mr. Chairman and Members of the Committee:

On behalf of the U. S. Department of Transportation, I welcome the opportunity to contribute to the Committee's consideration of measures to reduce the demand for petroleum products in the light duty vehicle sector. This is a matter of importance to the economy and to our national energy security.

As its principal contribution to energy conservation in the light-duty vehicle fleet, the Department administers the corporate average fuel economy (CAFE) program. Enacted in 1975 in response to the energy crisis caused by the 1973-1974 oil embargo, the CAFE program requires motor vehicle manufacturers to ensure that their new-vehicle fleets meet a specified average level of fuel economy in each model year. The CAFE standard for passenger cars is set by statute at 27.5 miles per gallon (mpg), whereas the CAFE standard for light trucks is set by the Department by regulation for each model year. The light-truck CAFE standard has been frozen at the model year 1996 level of 20.7 mpg (through model year 2003) by provisions in the Department's annual appropriations acts.

The early years of the CAFE program were marked by significant improvements in fuel economy, as the public demand for energy-efficient vehicles during the late 1970's and early 1980's continued to be strong. Since the mid-1980's, however, gasoline prices have typically been stable or declining (in constant dollars) and consumer demand has tended to favor vehicle utility, safety, and performance over fuel economy, with the result that the fuel economy level for the passenger car fleet has leveled off. At the same time, the arrival of new types of passenger vehicles B the minivan and the sport utility vehicle (SUV) B has attracted buyers away from passenger cars into these less fuel-efficient vehicles. The result is that the average fuel economy for the new light duty vehicle fleet as a whole (the fleet of vehicles with a gross vehicle weight rating of 8,500 pounds or less) has declined from an all time high of 26.2 mpg in model year 1987 to 24.5 mpg in model year 2001.

This decline means that today's fleet is using more petroleum, an increasing percentage of which is imported, than it would if fuel efficiency had continued to improve beyond the

early years of the CAFE program. It is in this context that we must reexamine the CAFE program and other conservation measures.

The Department welcomes lifting the restrictions on CAFE rulemaking Congress has imposed since FY 1996, to permit the Department to once again engage in rulemaking that will set the fuel economy standard for the light truck fleet. In a July 10 letter to the appropriations committees, Secretary Mineta urged them to consider legislation that would remove the restriction before the end of this fiscal year, so that the Department would not need to wait until October 1, 2001, (or later, if there is a continuing resolution) but could begin work right away.

Whenever the Department is free to go forward with rulemaking in the CAFE program, our work will be fully informed by the National Academy of Sciences report expected later this month and will be consistent with the President's National Energy Policy considerations. We will have to overcome the effects of the six-year freeze. We have not been able to collect data or conduct any analyses that would be needed to support the statutorily required determination that a specific level is the "maximum feasible average fuel economy level," but we will devote our best efforts to the job. We believe that responsibly crafted CAFE standards under existing law should increase fuel economy without negatively impacting the automotive industry. As you know, the President's National Energy Policy report recommends that the standards should be based on sound science, and should consider passenger safety, economic concerns, and the impact on the U.S. versus the foreign fleet of automobiles.

It is clear that there are many points of view about the best means to improve the fuel economy of the light duty vehicle fleet, as illustrated by the continuing debate in the Congress on whether to legislate higher CAFE standards or to require specific reductions in fuel consumption by certain segments of the fleet, such as light trucks. We are attending to these debates with interest, because they offer an opportunity to explore alternate means of conserving petroleum.

To achieve a specified CAFE level, a manufacturer must produce fuel efficient vehicles that the public will buy. If demand for fuel-efficient vehicles slackens, whether because fuel prices decline or because consumer preferences change, manufacturers may need to provide incentives (such as rebates or lower prices) to meet the CAFE levels. If other cost-effective measures can be devised to increase consumer demand for fuel-efficient vehicles, those measures should be examined. In fact, the President's National Energy Policy report recommends that the Secretary of Transportation evaluate market-based approaches to increasing new motor vehicle fuel economy.

We want to assure the Committee that the Department will carry out its responsibilities under the CAFE law to the best of its ability, with the goal of improving fleet fuel economy, producing benefits to the economy and to our national energy security.

This concludes my statement. I will be glad to answer your questions.